

Capital Area District Library

Financial Report
December 31, 2003

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Capital Area District Library

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Capital Area District Library

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Independent Auditor's Report

Capital Area District Library Board
Lansing, Michigan

We have audited the accompanying basic financial statements of Capital Area District Library as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of Capital Area District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Capital Area District Library at December 31, 2003, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

As discussed in Note 1, the Library adopted Governmental Accounting Standards Board Statement Number 34 during the current year. As a result, these financial statements present entirely new financial information. The General Fund reports information on the modified accrual basis of accounting, as well as on the full accrual basis of accounting.

Plante & Moran, PLLC

February 16, 2004

Using This Annual Report

This annual report consists of three parts: *Management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method of accounting.
- The third column presents the Library's operations on a full accrual basis which provides both long and short- term information about the Library's *overall* financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library on a longer-term view of the Library's finances.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Capital Area District Library

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following table below shows key financial information in a condensed format:

Current assets	\$ 11,390,821
Capital assets	<u>5,266,840</u>
Total assets	16,657,661
Long-term liabilities	108,184
Other liabilities	<u>8,711,229</u>
Total liabilities	8,819,413
Net assets:	
Invested in capital assets, net of debt	5,266,840
Restricted for donor restricted purpose	168,276
Unrestricted	<u>2,403,132</u>
Total net assets	<u><u>\$ 7,838,248</u></u>
Revenue:	
Property taxes	\$ 6,742,281
Other	<u>1,337,386</u>
Total revenue	8,079,667
Expenses - Library services	<u>6,433,816</u>
Change in net assets	<u><u>\$ 1,645,851</u></u>

Capital Area District Library

Management's Discussion and Analysis (Continued)

The Library as a Whole

- The Library is reporting financial statements this year that meet the requirements of GASB Number 34. The primary change requires reporting all assets at full cost less depreciation expense. This includes all Library materials, which were previously recorded at \$1 per item in the General Fixed Assets Account Group, which was generally accepted practice among Libraries in Michigan.
- As a result of this change, the Library reports net assets of \$7,838,248 this year on a full accrual basis, as compared to fund balances of \$2,679,592 on the modified accrual basis of accounting.
- The Library's primary source of revenue is from property taxes. For 2003, total tax collections were \$6,742,281. This represents approximately 83 percent of total revenue.
- Salaries and fringe benefits are the largest overall expenditure of the Library. For 2003, this expenditure was \$4,671,806, representing 58.4 percent of the Library's total expenditures. The addition of 2 full time employees and 7 part time employees, plus an average 4 percent increase in salaries contributed to an overall increase of \$377,000 over the previous year.
- Library materials at \$1,680,509 are the second largest overall expenditure of the Library, representing 21 percent of the Library's total expenditures.
- Total expenditures for the entire year under the modified accrual method of accounting were \$8,006,326.
- The Library's conversion to meet GASB 34 standards, which includes capitalization of Library owned assets and associated depreciation expense, as well as the increase in compensated absences expense, is reflected in the Statement of Activities on page 8 of this financial report.

Capital Area District Library

Management's Discussion and Analysis (Continued)

The Library's Fund

Our analysis of the Library's General Fund is included on pages 7 and 8 in the first column of the respective statements. The fund column provides detailed information about the General Fund on a modified accrual basis of accounting, which is a short term perspective measuring the flow of financial resources, - not the Library's operations on a full accrual basis of accounting, which provides a longer term measurement of total economic resources. The Library's only fund is the General Fund.

- The fund balance of the General Fund increased by \$73,341 for the year. This represents unspent revenue greater than expenses.
- The Library Board has designated funds to help manage money for specific purposes, such as system expansion, technology upgrades, and capital improvements.

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in interest revenue, salaries and fringe benefits, professional services, and maintenance expense.

The revenue budget was revised downward for the year to reflect a substantial reduction in expected interest income due to falling interest rates on investments.

The salaries and benefits budget was increased due to an increase in prescription drug costs. In addition, temporary labor was needed throughout the year to fill positions for several long-term absences in Maintenance and on the Bookmobile.

The decrease in the budgeted amount for professional services was the result of lower actual election costs from all municipalities. In addition, \$25,000 originally budgeted to establish a foundation, was eliminated due to cancellation of this project.

The increase in the maintenance budget was the result of increased costs related to a planned HVAC upgrade. The budget amount for a signage project was reduced, as the scope of this project was scaled back.

Capital Area District Library

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$5.3 million invested in furniture, equipment, and books and materials. In 2003, the library added approximately \$1.4 million in new collection items consisting mainly of books, video materials, audio books, and music CD's.

The Library carries no long-term debt other than compensated absences.

Next Year's Millage Rates

On August 5, 2003, the voters of the district approved a 1.46 mill tax for a three-year period. This represented an increase of .18 mills over the previous expired millage, which expired December 31, 2003. Based on the current taxable value of property in the Library's district, this will generate \$1,139,000 in additional tax revenue annually.

In future years, when prior year information is available, a comparative analysis of government wide data will be presented.

Capital Area District Library

Governmental Fund Balance Sheet/Statement of Net Assets December 31, 2003

	General Fund - Modified Accrual Basis	Adjustments (Note 9)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash (Note 2)	\$ 1,934,319	\$ -	\$ 1,934,319
Investments (Note 2)	1,163,850	-	1,163,850
Taxes receivable	8,001,425	-	8,001,425
Due from other governmental units	105,828	-	105,828
Interest receivable	1,326	-	1,326
Prepaid expenses	184,073	-	184,073
Capital assets (Note 3)	-	5,266,840	5,266,840
Total assets	\$ 11,390,821	\$ 5,266,840	\$ 16,657,661
Liabilities			
Accounts payable and accrued liabilities	\$ 709,804	\$ -	\$ 709,804
Deferred revenue	8,001,425	-	8,001,425
Long-term liabilities - Due in more than one year: Accumulated employee benefits (Note 4)	-	108,184	108,184
Total liabilities	8,711,229	108,184	8,819,413
Fund Balance / Net Assets			
Fund Balances:			
Reserved for:			
Prepaid expenses	184,073	(184,073)	-
Donations	168,276	(168,276)	-
Unreserved:			
Designated for:			
System expansion	519,939	(519,939)	-
Contingency	870,570	(870,570)	-
Automation	600,000	(600,000)	-
Capital projects	336,734	(336,734)	-
Undesignated	-	-	-
Total fund balance	2,679,592	(2,679,592)	-
Total liabilities and fund balance	\$ 11,390,821		
Net Assets:			
Investment in capital assets		5,266,840	5,266,840
Restricted for donor restricted purposes		168,276	168,276
Unrestricted		2,403,132	2,403,132
Total net assets		\$ 7,838,248	\$ 7,838,248

Capital Area District Library

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance - Statement of Activities Year Ended December 31, 2003

	General Fund - Modified Accrual basis	Adjustments (Note 9)	Statement of Activities - Full Accrual Basis
Revenue			
Millage revenue	\$ 6,742,281	\$ -	\$ 6,742,281
Penal fines	725,759	-	725,759
State aid	197,138	-	197,138
Rental revenue	149,728	-	149,728
Interest income	48,467	-	48,467
Donation income	43,537	-	43,537
Miscellaneous revenue	172,757	-	172,757
Total revenue	8,079,667	-	8,079,667
Expenditures			
Salaries and benefits	4,671,806	15,985	4,687,791
Materials	1,680,509	(1,433,774)	246,735
Supplies	150,334	-	150,334
Professional services	470,122	-	470,122
Governance	16,942	-	16,942
Transportation/staff development	53,871	-	53,871
Maintenance and utilities	418,827	-	418,827
Technology	241,421	(118,909)	122,512
Capital outlay - Equipment and furniture	165,071	(165,071)	-
Depreciation	-	129,259	129,259
Other expenses	137,423	-	137,423
Total expenditures	8,006,326	(1,572,510)	6,433,816
Revenue Over Expenditures/Change in Net Assets	73,341	1,572,510	1,645,851
Fund Balance/Net Assets - Beginning of year	2,606,251	3,586,146	6,192,397
Fund Balance/Net Assets - End of year	<u>\$ 2,679,592</u>	<u>\$ 5,158,656</u>	<u>\$ 7,838,248</u>

Capital Area District Library

Notes to Financial Statements December 31, 2003

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

The accounting policies of Capital Area District Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant account policies:

Reporting Entity

Effective January 1, 1998, the Capital Area District Library commenced official operations pursuant to the March 10, 1997 signed District Library Agreement. The District Library Agreement was originally entered into by the County of Ingham, except for the City of East Lansing and small portions of White Oak and Locke Townships, and the City of Lansing. In February 1999, three additional participating municipalities were recognized by the original participants - Delhi Township, Meridian Township, and the City of Williamston. The Library is funded primarily through property taxes, state aid, penal fines, grants, and donations. The voters of the districts approved a 1.28 mill tax for a three-year period, which began with a tax levy effective December 31, 2000. This millage provided for funding of Library operations through December 31, 2003. The voters of the districts approved a 1.46 mill tax for a three-year period, which began with a tax levy effective December 31, 2003. This millage provides for funding of Library operations through December 31, 2006.

The Library is governed by a seven-member Board. The Board consists of five members appointed by the County of Ingham, and two members appointed by the City of Lansing. The Library is not included as a component unit in any other primary government's financial statements.

Capital Area District Library

Notes to Financial Statements December 31, 2003

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Library has one fund, the General Fund, which is the Library's primary operating fund.

The General Fund is budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. Normally, expenditures are divided between years by the recording of prepaid expenses. The prepaid expenses reported on the balance sheet represent payments made in advance for 2004 expenditures.

In addition to presenting information for the General Fund, the statements combine all fund activity and present information for the Library as a whole, using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989, are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Financial Statement Amounts

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Area District Library

Notes to Financial Statements December 31, 2003

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Receivables and Payables - All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Property taxes are levied on December 1 based on the taxable valuation of the property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Prepaid Expenses - The prepaid expenses reported on the balance sheet represent payments made in advance for 2004 expenditures

Capital Assets - Generally, capital assets are defined by the Library with an initial cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Library books, CDs, and audio and visual tapes which comprise the Library's collection are recorded as assets using various estimating techniques. Because of their nature and relevance to the Library's operations, they are capitalized despite individually being below the \$2,500 capitalization threshold.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred.

Depreciation on such capital assets is charged as an expense against the operations on a straight-line basis over the following estimated useful lives:

Furniture and equipment	3-10 years
Library books and materials	7 years

The Library has a collection of art work presented for public exhibition and education that is being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other acquisitions. The collection is not capitalized or depreciated as part of capital assets.

Compensated Absences - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Library does not have a policy to pay any amounts when employees separate from service with the Library. All vacation pay is accrued when incurred in the government-wide financial statements and a liability for these amounts is reported in the General Fund.

Capital Area District Library

Notes to Financial Statements December 31, 2003

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Property Taxes - Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Library's 2002 tax is levied and collectible on December 1, 2002, and is recognized as revenue in the year ended December 31, 2003, when the proceeds of the levy are budgeted and available for the financing operations.

Deferred Revenue - Income is recognized as revenue as it is earned. Prepayments are recorded as deferred until the revenue is earned over the year.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates

Accounting Change - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - For State and Local Governments*, issued in June 1999. While these statements are scheduled for a phased implementation according to the size of the governmental unit, Capital Area District Library has elected adoption, along with all related statements and interpretations, effective January 1, 2003. Changes to the Library's financial statements as a result of GASB No. 34 are as follows:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the Library's overall financial position and results of operations has been included.
- Financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Library's activities have been provided.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

- Capital assets in the full accrual column of the statement of net assets includes assets totaling \$5,266,840, previously accounted for by the Library in the General Fixed Asset Account Group.
- The governmental activities column includes compensated absences totaling \$108,184, previously reported in the General Long-term Debt Account Group.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

Note 2 - Deposits

Michigan Compiled Law Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; banker's acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of the purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Library has designated six banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investments as allowed by authority as listed above. The Library's deposits and investments policy is in accordance with statutory authority.

Capital Area District Library

Notes to Financial Statements December 31, 2003

Note 2 - Deposits (Continued)

The Library's deposits at December 31, 2003, are included on the balance sheet under the following classifications:

	Balance Sheet Classification		
	Cash	Investments	Total
Deposits	<u>\$ 1,934,319</u>	<u>\$ 1,163,850</u>	<u>\$ 3,098,169</u>

The above deposits were reflected in the accounts of the bank (without recognition of checks written, but not yet cleared, or of deposits-in-transit) at \$3,045,477. Of that amount, \$218,941 was covered by federal depository insurance and \$2,826,536 was uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution it deposits Library funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Capital Assets

A summary of the changes in capital assets follows:

Capital Assets Being Depreciated	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Furniture and equipment	\$ 1,338,961	\$ 283,980	\$ -	\$ 1,622,941
Library books and materials	<u>10,652,412</u>	<u>1,433,774</u>	<u>-</u>	<u>12,086,186</u>
Total	<u>11,991,373</u>	<u>1,717,754</u>	<u>-</u>	<u>13,709,127</u>
Accumulated depreciation	<u>(8,313,028)</u>	<u>(129,259)</u>	<u>-</u>	<u>(8,442,287)</u>
Net book value	<u>\$ 3,678,345</u>	<u>\$ 1,588,495</u>	<u>\$ -</u>	<u>\$ 5,266,840</u>

Capital Area District Library

Notes to Financial Statements December 31, 2003

Note 3 - Capital Assets (Continued)

Capital Area District Library leases a building from the Lansing School District at a nominal amount. Other buildings are provided by the other participating governmental units at no charge to the Library. As a result, the Library does not own land or any other assets which are not being depreciated.

The Library has plans to renovate the first floor of the Main Library in 2004, and to purchase a new elevator. In connection with these projects, the Library has entered into contracts subsequent to December 31, 2003, and prior to this report date totaling approximately \$261,000.

Note 4 - Long-Term Debt

A summary of the debt outstanding at the Library is as follows:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Compensated absences	<u>\$ 92,199</u>	<u>\$ 15,985</u>	<u>\$ -</u>	<u>\$ 108,184</u>

The compensated absences represent the estimated liability to be paid employees under the Library's vacation pay policy. Under the Library's policy, employees earn vacation time based on time of service with the Library. The Library estimates that none of the above liability will be paid within the next year.

Capital Area District Library

Notes to Financial Statements December 31, 2003

Note 5 - Budget Information

The annual budget is prepared by Library management and adopted by the Library Board of Trustees; subsequent amendments are approved by the Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2003 for materials, has been calculated (at approximately \$177,000), but has not been calculated for other expenditures. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The General Fund budget has been approved on a functional basis. A comparison of actual results of operations to the General Fund budget as adopted by the Library Board is included in the required supplementary information.

Note 6 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 - Pension Plan

Plan Description

The Library participates in the Michigan Municipal Employees' Retirement System, an agent, multiple-employer defined benefit pension plan that covers all full-time employees of the Library. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by Board approval and requires a contribution from the union and non union employees of 5.22 and 6.00 percent of gross wages, respectively.

Capital Area District Library

Notes to Financial Statements December 31, 2003

Note 7 - Pension Plan (Continued)

Annual Pension Cost

For the year ended December 31, 2003, the Library's annual pension cost of \$109,670 was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial calculation at December 31, 2001, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases ranging from zero to 4.16 percent per year, depending on age, attributable to seniority/merit. Both (a) and (b) include an inflation assumption of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period.

Trend Information

Fiscal year ended December 31:	2002	2003
Annual pension cost	\$ 86,472	\$ 109,670
Percentage of annual pension cost contributed	100%	100%
Net pension obligation	-	-
Actuarial valuation as of December 31:	2001	2002
Actuarial value of assets	N/A	\$ 203,950
Actuarial accrued liability (entry age)	N/A	\$ 179,193
Unfunded (overfunded) AAL	N/A	\$ (24,757)
Funded ratio	N/A	113.8%
Covered payroll	N/A	\$ 1,491,435
U(O)AAL as a percentage of covered payroll	N/A	-1.66%

Since the Library joined MERS effective January 1, 2002, no trend information existed prior to this time, thus an actuarial valuation was not available before December 31, 2002.

Capital Area District Library

Notes to Financial Statements December 31, 2003

Note 8 - Defined Contribution Pension Plan

The Library provides pension benefits to some full time employees hired before January 1, 2002, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by negotiation with the Library's competitive bargaining units, the Library contributes 6 percent of employees' gross earnings. In accordance with these requirements, the Library contributed \$42,773 during the current year, and employees made no contributions.

Note 9 - Reconciliation of Fund Financial Statements to Government-Wide Financial Statements

Total fund balance and the net change in fund balance of the Library's General Fund differs from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified accrual basis	\$ 2,679,592
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Amounts reported in the statement of Net Assets are
different because:

Capital assets are not financial resources, and are not reported in the funds	5,266,840
Compensated absences are included as a liability	<u>(108,184)</u>

Net Assets of General Fund - Full accrual basis	<u><u>\$ 7,838,248</u></u>
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Capital Area District Library

Notes to Financial Statements December 31, 2003

Note 9 - Reconciliation of Fund Financial Statements to Government-Wide Financial Statements (Continued)

Net Changes in Fund Balances - Modified accrual basis \$ 73,341

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the Statement of Revenue, Expenditures, and Changes in Fund Balance; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	283,980
Library books and materials	1,433,774
Depreciation	(129,259)

Increase in the accrual for long-term compensated absences reported as an expenditure in the Statement of Activities, but not in the fund statements	<u>(15,985)</u>
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Changes in Net Assets of General Fund - Full accrual basis \$ 1,645,851

Required Supplementary Information

Capital Area District Library

Required Supplementary Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2003

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue				
Millage revenue	\$ 6,672,900	\$ 6,741,900	\$ 6,742,281	\$ 381
Penal fines	785,500	725,500	725,759	259
State aid	197,000	197,000	197,138	138
Rental revenue	164,500	150,000	149,728	(272)
Interest income	80,000	45,000	48,467	3,467
Donation income	60,000	60,000	43,537	(16,463)
Miscellaneous revenue	171,300	179,300	172,757	(6,543)
Total revenue	8,131,200	8,098,700	8,079,667	(19,033)
Expenditures				
Salaries and benefits	4,668,800	4,707,900	4,671,806	36,094
Materials	1,662,900	1,692,900	1,680,509	12,391
Supplies	141,100	163,600	150,334	13,266
Professional services	523,100	484,100	470,122	13,978
Governance	24,500	24,100	16,942	7,158
Transportation/staff development	69,200	54,200	53,871	329
Maintenance and utilities	449,700	452,700	418,827	33,873
Technology	296,500	288,800	241,421	47,379
Capital outlay - Equipment and furniture	323,000	289,000	165,071	123,929
Other expenses	166,900	165,900	137,423	28,477
Total expenditures	8,325,700	8,323,200	8,006,326	316,874
Revenue Over (Under) Expenditures	(194,500)	(224,500)	73,341	297,841
Fund Balance - Beginning of year	2,606,251	2,606,251	2,606,251	-
Fund Balance - End of year	<u>\$ 2,411,751</u>	<u>\$ 2,381,751</u>	<u>\$ 2,679,592</u>	<u>\$ 297,841</u>